Weekly Economic Review

Activity index rising to start 2018

Alberta Activity Index

Strength in manufacturing and retail propel index higher

The Alberta Activity Index (AAX) started the year strong. The AAX grew 0.5% in January as solid retail sales and stellar manufacturing shipments dwarfed the impact of oil production outages. Housing starts and new truck sales also picked up from the month before, while wholesale trade, employment and earnings fell (Chart 1). The AAX continues to track the provincial economic recovery. With the strong January reading, the AAX has recovered about three-quarters of peak-to-trough losses.

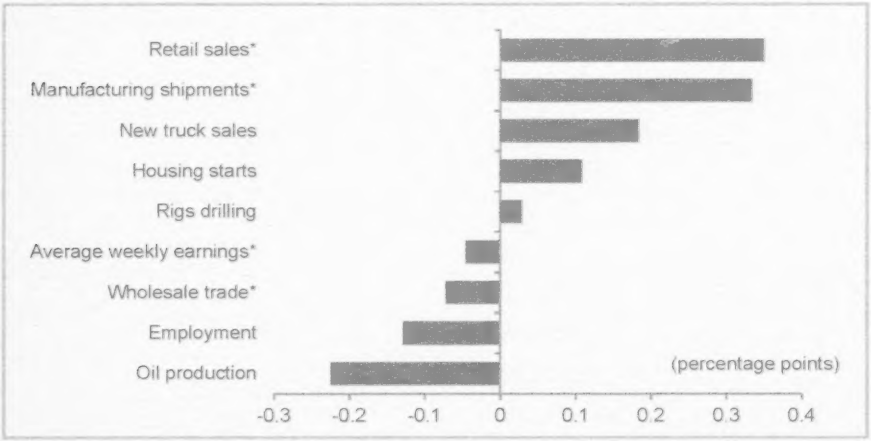
Average Weekly Earnings

Earnings holding up

Earning held steady to start 2018 following solid gains in 2017. Average weekly earnings (AWE) were little changed in January (-0.1% month-over-month) at $1,147. Earnings in the service sector increased slightly to reach a new three-year high, led by a jump in earnings in wholesale trade, management of companies and finance and insurances. The gains were offset by a pullback in the goods sector, which reversed the previous month's increase. Despite being relatively flat in January, AWE was up 3.1% compared to last January when earnings were very weak due to a substantial drop in mining, oil and gas earnings. Earnings in this sector picked up in the middle of 2017 and were up 7.4% year-over-year (y/y) in January from the low point set a year ago. This, along with continuing strong gains in the service sector (+3.4% y/y), boosted year-over-year growth.

Chart 1: Gains in retail and manufacturing offset lower oil production

Contribution to month-over-month change in the Alberta Activity Index, January 2018



Source: Alberta Treasury Board and Finance
* Deflated using the Alberta CPI

Metres Drilled

Drilling activity picks up in January

Drilling activity continues to grow at a robust rate as energy companies take advantage of the winter drilling season. There were a total of 1.6 million metres drilled for oil and gas in January, up 6.8% from a year ago. Drilling for crude oil increased, as more metres were drilled for both conventional oil (+24% y/y) and bitumen (+47% y/y). Metres drilled for oil are now in the upper half of the 2010-2014 range. These gains more than offset a 19% y/y decline in natural gas metres. Although metres drilled for natural gas were lower than a year ago, they were near the average for this time of year. Meanwhile, the number of completed wells rose 5.8% y/y to 508 driven by increases in conventional and bitumen wells.

Job Vacancies

More job openings getting filled

The number of job vacancies continues to slide lower as more job postings have been filled. In the three-month period ending in December, there were 34,300 unfilled employment positions in Alberta. The decline was the result of job opening being filled faster than new postings. Since peaking in August 2017, the number of job vacancies has declined in three of the four months and by a total of 5,100. While during the same period labour demand increased by 9,700. Despite the recent pullback, the number of job vacancies remained well above the all-time low reached a year ago.

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Please see the *Alberta Economy- Indicators at a Glance* for a snapshot of Alberta indicators.

Alberta Government

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Treasury Board and Finance
Economics and Revenue Forecasting